

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DFA5114 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

16 OCTOBER 2019

2.30 pm – 4.30 pm

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages excluding cover page with 4 Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Marc Clinic commenced on 1 May 2018. During the first month of operation, the following events and transactions occurred.

- May 1 Invested RM90,000 cash in exchange for ordinary shares.
- 1 Hired a secretary at a salary of RM500 per week payable monthly.
 - 2 Paid office rent for the month RM2,000.
 - 3 Purchased dental supplies on account RM6,500.
 - 5 Purchased surgery equipment costing RM30,000. A cash payment of RM12,000 was made immediately; the remainder will be paid in later date.
 - 7 Paid RM2,000 cash for a one-year insurance policy on the surgery equipment.
 - 10 Provided dental services and billed clients RM7,000.
 - 11 Received RM1,500 cash in advance from client for future implant surgery.
 - 20 Received RM4,000 cash for services performed to client.
 - 30 Paid salary secretary for the month RM2,500.
 - 30 Paid RM2,500 for accounts payable due.

The company uses the following accounts: Cash; Accounts Receivable; Dental Supplies; Surgery Equipment; Prepaid Insurance; Accounts Payable; Unearned Revenue; Ordinary Share Capital; Service Revenue; Salaries Expense; and Rent Expense.

Required:

- (a) Journalize the transactions. You may omit explanations. (11 marks)
- (b) Prepare a ledger for Cash account using T-account format. (5 marks)
- (c) Identify and briefly describe the THREE (3) basic accounting activities. (6 marks)
- (d) List the **THREE (3)** types of economic entity. (3 marks)

[TOTAL 25 MARKS]

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QUESTION 2**Part A**

Crude Berhad prepared the selected financial information for the year 2018.

	(RM)		(RM)
Cash	243,000	Advertising expense	32,000
Office equipment	300,000	Rent expense	80,000
Supplies	45,000	Utilities expense	12,500
Dividends	65,000	Salaries and wages expense	40,500
Service revenue	576,000	Accounts receivable	87,000
Retained earnings (1.1.2018)	10,000	Accounts payable	91,000

Required:

- (a) Prepare the Statement of Profit or Loss for the year ended 31 December 2018.
(5 marks)
- (b) Prepare the Statement of Retained Earnings for the year ended 31 December 2018.
(3 marks)

Part B

Memo Bhd. commenced business on 1 January 2018. At the end of the first 6 months of operation, the Trial Balance contained the following accounts balances.

	(RM)		(RM)
Cash	66,000	Accounts payable	72,000
Accounts receivable	80,000	Notes payable	170,000
Supplies	28,000	Unearned service revenue	75,000
Prepaid insurance	12,000	Share capital—ordinary	300,000
Equipment	350,000	Rent expense	36,000
Advertising expense	30,000	Utilities expense	15,000

Analysis reveals the following additional data.

1. A count of supplies shows RM4,100 of supplies still on hand as at 30 June 2018.
2. Prepaid insurance is a one-year insurance policy starting 1 January 2018.
3. Depreciation on equipment is made using straight-line basis of 5 years where the equipment was purchased on 1 January 2018.
4. The notes payable was issued on 1 April 2018. It is a 5%, 10-month note.
5. RM30,000 of the balance in the Unearned Service Revenue account remain unearned as at 30 June 2018.

Required:

- (a) Journalize the adjusting entries that were made for the first 6 months of operation.
Show all workings.
(7 marks)
- (b) Prepare the Adjusted Trial Balance as at 30 June 2018.
(10 marks)

[TOTAL 25 MARKS]

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QUESTION 3**Part A**

Garden Tea Club has been in existence for a number of years. Members pay an annual subscription of RM600 which entitles them to join trips to professional production at a reduced rate. On 1 June 2018, the club's assets and liabilities are as follows:

Cash in hand RM2,800; Bank balance RM2,300; Subscription in arrears RM1,500; Subscription in advance RM1,800; and amount owing for hiring tea expertise RM3,100.

Required:

- (a) Calculate the club's accumulated fund as at 1 February 2018. Show all formulas and workings. (3 marks)
- (b) Briefly explain receipts and payments account and income and expenditure account from the non-profit organization perspective. (2 marks)

Part B

LJ Berhad manages inventory record by using the periodic inventory method and had the following inventory information for the month of January 2018:

Date	Details	Units	Unit Cost (RM)	Total Cost(RM)
Jan 1	Beginning inventory	200	5	1,000
15	Purchases	500	7	3,500
18	Purchases	300	8	2,400
25	Purchases	400	9	3,600
		<u>1,400</u>		<u>10,500</u>

A physical count on inventory on 31 January 2018 indicates that there were 500 units on hand.

Required:

Compute the cost of ending inventory and cost of goods sold under the following methods. Show all workings.

- (a) FIFO method (7 marks)
- (b) Average-Cost method (5 marks)
- (c) Calculate the differences in the amount of income the company would have reported if Average method is used instead of FIFO method. Income would be greater or lesser? (2 marks)
- (d) Briefly explain the concept of perpetual method and periodic method. (2 marks)
- (e) There are **TWO (2)** types of freight-terms. Identify and briefly explain each of the terms. (4 marks)

[TOTAL 25 MARKS]

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QUESTION 4**Part A**

Suria Berhad occurred the following comparative Statements of Financial Position as at 31 December 2018 and 2017. The company's net income for 2018 was RM560,000. Depreciation expense for 2018 was RM53,000.

SURIA BERHAD Comparative Statement of Financial Position (Partial) 31 December		
	2018 (RM)	2017 (RM)
Current Assets:		
Cash	153,000	82,100
Accounts receivable	24,500	22,000
Inventory	83,000	93,500
Prepaid expenses	65,000	81,000
Total current assets	<u>325,500</u>	<u>278,600</u>
Current Liabilities:		
Accounts payable	72,100	53,000
Accrued expense payable	55,000	78,000
Total current liabilities	<u>127,100</u>	<u>131,000</u>

Required:

- (a) Prepare the net cash provided by operating activities section of the company's Statement of Cash Flows for the year ended 31 December 2018, using the indirect method. (10 marks)
- (b) Provide any **THREE (3)** explanation on the usefulness of information from the Statement of Cash Flows to interested users. (3 marks)

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Part B

Swan Berhad prepares the following comparative statements of Financial Position:

SWAN BERHAD
Statement of Financial Position
As at 31 December

	2018	2017
	(RM)	(RM)
Cash	55,000	80,000
Accounts receivable	63,000	42,000
Inventory	182,000	188,000
Land	350,000	350,000
Buildings	150,000	150,000
Accumulated depreciation - Buildings	-10,000	-10,000
Total	790,000	800,000
Accounts payable	87,000	35,000
Retained earnings	203,000	265,000
Share capital—ordinary	500,000	500,000
Total	790,000	800,000

Swan's 2018 income statement included net sales of RM550,000, cost of goods sold of RM212,000, and net income of RM128,000.

Required:

Calculate the following ratios for the year 2018. Show all formulas and workings.

- (a) Current ratio (3 marks)
- (b) Asset turnover (3 marks)
- (c) Debt to assets ratio (3 marks)
- (d) Profit margin (3 marks)

[TOTAL 25 MARKS]

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